Special Report

Newspapers

Quayle link puts chain in spotlight

Pulliam papers seen as takeover target; questions arise over trust, Arizona losses, 'News' woes

By Robert Corya

Notoriety sometimes arrives with the subtlety of a sledgehammer.

Central Newspapers Inc., owner of the *Indianapolis News* and *Indianapolis Star*, hardly had time to deny a report that Gannett Co. had offered $1.2 billion for the chain when Vice President George Bush announced that Sen. J. Danforth Quayle (R., Ind.)—the 41-year-old Hoosier with family ties to CNI—was his choice for a running mate.

Life became noticeably more hectic for Frank E. Russell, president-ceo of the chain that publishes five other dailies and four Sunday papers in Indiana and Arizona, including the *Arizona Republic* and *Phoenix Gazette*.

"Within 10 hours of Dan's selection I took 57 media calls, and they are still coming in," says Mr. Russell, who already was busier than a pressman with a broken web.

Despite media reports touting his history as a newspaperman, Sen. Quayle's relationship to CNI has not had a noticeable effect on circulation or advertising. "There's not been any change that I know of," says Wayne Wallace, CNI assistant treasurer.

CNI also recently put a proposed secondary public stock offering, announced in January, on hold. The decision was based on the deterioration in newspaper stocks, says Mr. Russell, adding that it was not related to reports of acquisition offers.

The stock proposal was prompted by some shareholders wanting to raise cash. Although the delay was attributed to market conditions, the reports of CNI buyouts above $1 billion were considerably more than the stock sale was expected to bring.

A trust left by CNI founder Eugene Pulliam stipulated CNI's 24-year-old controlling trust would run 99 years. Eugene Pulliam, his 74-year-old son and Sen. Quayle's uncle, maintains the trust is unbreakable; others disagree.

"The official answer is it cannot [be broken]. That's what the lawyers will tell you," says Beurt A. SerVaas, Indianapolis-based publisher and industrialist, who has about 1% of CNI stock. "But the Louisville trust [of the Bingham family] was broken. "It takes a beneficiary [of the trust] to bring action in court," he says, adding that he acquired his stock from a beneficiary.

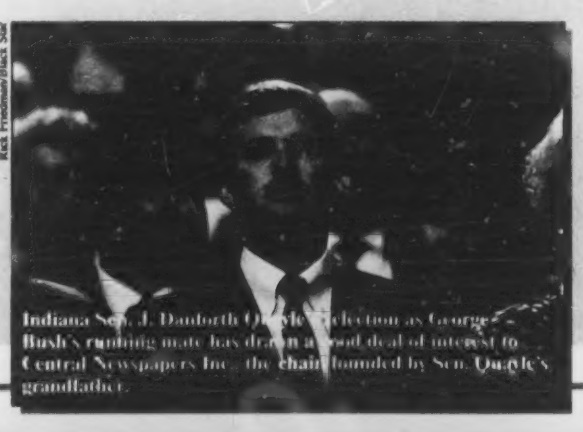
The Pulliam papers would be a sound investment, says Hylton Philipson, president-ceo of Henry Ansbacher Inc., which reports that an unidentified chain has placed an offer of up to $1.5 billion to purchase CNI.

Buyers of other chains have paid $1,000 and higher per subscriber. With a chainwide circulation of about 880,000, according to the Audit Bureau of Circulations, a buyer at that reported price would

(Continued on Page S-16)

Robert Corya is former business editor and columnist for the Indianapolis News, *and past national president of the Society of American Business & Economic Writers.*

Agency execs' problems with the Star and News partly stem from their being "the only game in town."



Rick Friedman/Black Star

Indiana Sen. J. Danforth Quayle's selection as George Bush's running mate has drawn a good deal of interest to Central Newspapers Inc., the chain founded by Sen. Quayle's grandfather.

An occasional black sheep

Given that the founder's grandson is running for vice president on the Republican ticket, Central Newspapers Inc. is perceived to be staunchly Republican.

Contributing to that impression is the fact that Charles W. Fairbanks, whose family owns an estimated 30% of CNI stock, served as vice president during President Theodore Roosevelt's administration.

However, J. Danforth Quayle's grandfather, the late Eugene C. Pulliam, proved to be bipartisan on the day before the 1964 elections when he threw his support in a Page 1 editorial to Rodger Branigin, the Democratic candidate for Indiana governor.

The following day was the end of incumbent Lt. Gov. Richard Ristine's political ambitions.

A similar performance concerning tomorrow's presidential election is not expected.

—Robert Corya

NEWSPAPER RIVALS: Battle by the bay

Bay papers leave no zone unturned

'Times,' 'Tribune' bombard ever-widening base of readers with color, inserts, new sections

St. Petersburg Times touts itself as "Tampa Bay's Largest Newspaper."

By Fred W. Wright Jr.

While initial salvos have stilled, close combat continues to flare in zones covered by the Tampa-St. Petersburg newspapers.

In 1987 the *St. Petersburg Times* and the *Tampa Tribune* entered into a serious battle for the more than 1.6 million Tampa Bay area residents. Although the focus is on the six-county area of principal coverage, the competition has spread across Florida.

"New residents come down here without preconceived notions," says Bill Diaz, president, Ellis, Diaz/Bozell, Jacobs, Kenyon & Eckhardt, Tampa. The struggle is to become the clear-cut leader in what "we now call the Tampa Bay area," he says. Both papers are being positioned to accept that title. Slogans label the *Tribune* "Tampa Bay's Newspaper" and the *Times* "Tampa Bay's Largest Newspaper."

In late 1987, both papers for the first time launched extensive TV and radio advertising. Director of Advertising Al Corey estimates the *Times* spent $250,000 in TV production and air time, while *Tribune* VP-General Manager James Urbanski says its TV budget has been $1 million both this year and last. Ensslin & Hall is the *Times* agency of record, and Benito Advertising is the *Tribune* agency.

The competition has produced better newspapers, says Mr. Diaz. "The look, the increased color [including color comics], the business inserts, the sections that cater to a wider spectrum of reader interests . . . from the advertising standpoint, the competition has been good."

Tribune ad revenues (national, regional and classified) are up 8% the first six months of 1988, compared to the same period 1987; including a 7% rate increase effective January 1. The *Times* ad rates increased 14% since October 1987; revenues are unavailable.

The *Tribune* boasts the greatest circulation gain, with a 9.9% increase for the six-month period ending March 31, 1988, vs. the same period last year, according to Audit Bureau of Circulations. The *Tribune's* daily circulation is 258,129; Sunday is 347,209.

The *Times* has the greater volume with 339,428 daily circulation in the same six-month period, a 7.8% gain over the same period last year. Its Sunday circulation hit 429,722, a 5.6% gain.

The *Tribune's* circulation, as of March 31, was spread over 33 counties, reduced to 31 as of October. The *Times* circulates in 13 counties, with 70 zoned editions per week. In the five west coast counties, the major battleground, the *Times* shows the greatest increase in numbers and percentage, says Rob Althaus, *Times* director of circulation.

The *Tribune* offers 76 zoned editions a week in 13 of its 31 counties. "We have more zoned editions, a more sophisticated zoning program, than any other newspaper in America," says Mr. Urbanski.

The number of *Tribune* sales racks was doubled in 1987 to 14,000 statewide, as was the number of staffers in the newsroom and bureaus. More *Tribune* reporters cover the state capital in Tallahassee than any other Florida paper.

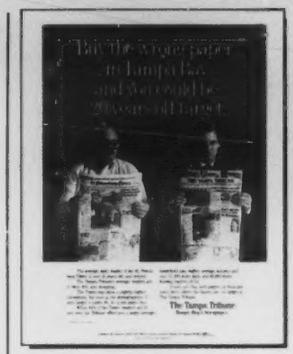
Both publications are busy adding staff in each other's primary territory. The *Times* boosted its Tampa/Hillsborough County bureau by 47 people to 50, while the *Tribune* opened a new St. Petersburg/Pinellas County bureau with 36 employees.

In February 1987 the *Tribune* started adding $45 million in new presses; Times Publishing is finishing a 100,000 square-foot headquarters.

Management of both papers agree that private ownership gives certain advantages.

Mr. Urbanski says the *Tribune* management has a job to satisfy its Media General (publicly held) stockholders. "We do the very best we can and maintain the reasonable profit that they expect. We don't have unlimited resources, but we do have a very understanding corporation," he says.

At the *Times* (privately owned), big money decisions can often be made quickly. A board meeting can be "called from a standing start in 15 minutes," says Andrew Barnes, chairman, president and ceo, citing how a recent decision to spend $700,000 on a circulation move came about within 72 hours. "If you need to serve distant masters, you can't do that."



The Tampa Tribune prints 76 zoned editions a week in 13 of its 31 counties.

Fred W. Wright Jr. is a Florida-based free-lance writer.

Times Publishing Co.

Headquarters: St. Petersburg, Fla.
CEO: Andrew Barnes
Total newspaper revenues: $172 million
Total daily circulation: 310,495
Largest newspaper by circulation:
St. Petersburg Times
St. Petersburg Times
Daily circulation: 310,495
Sunday circulation: 396,469

Source: Audit Bureau of Circulations Fas-Fax Report, September 30, 1988. Newspaper revenues are 1987 Advertising Age estimates.

Media General

Headquarters: Richmond, Va.
CEO: James S. Evans
Total newspaper revenues: $286 million
Total daily circulation: 581,789
Largest newspaper by circulation:
Tampa Tribune
Tampa Tribune
Daily circulation: 242,805
Sunday circulation: 330,382

Source: Audit Bureau of Circulations Fas-Fax Report, September 30, 1988. Newspaper revenues are 1987 Advertising Age estimates.

Barnes latest in 'newsies' line

Andrew Barnes (r.) succeeds Eugene Patterson at Times Publishing Co.

The day that Andrew Barnes took over Times Publishing Co., he crossed the street to the Florida National Bank and placed a sealed envelope in a *St. Petersburg Times'* safety deposit box. In that envelope is a piece of paper bearing the name of his successor.

The ritual was carried over from his predecessor who followed the plans of founder Nelson Poynter.

Although Mr. Barnes has known for 10 years that he would take the reins of Times Publishing, he says, "the thought of it can make your stomach hurt." It will mean, "I'm working more time [now] than I propose to work the rest of my life." Mr. Barnes became chairman-ceo on Nov. 1 after Eugene Patterson retired at 65.

Contributing to Mr. Barnes' stomach ache is the legacy he will follow. Mr. Patterson came to the Times Publishing Co. in 1971, with a Pulitzer Prize for distinguished commentary. When he arrived, the *Times* had annual revenues of about $100 million. Mr. Patterson leaves company with annual revenues close to $200 million, and with two more Pulitzers.

Mr. Barnes, 49, says he hopes the transition will go unnoticed by the newspaper's readers and advertisers. "I will succeed him rather than replace him," he says. "The public will not see the difference. The staff will not see the difference."

"There may be small changes in management style, but there is no reason to believe the character of the newspaper will change significantly," says Elwood M. Wardlow, associate director of the American Press Institute.

However, the *Times* has committed itself to spend nearly $5 million over the next several years on expansion and improvements. "We're putting our dough into establishing a more regular customer in these nuclear area," says Mr. Barnes. "All we're really doing is following what's happening in the community. The Tampa Bay area is functioning now as a unit."

Mr. Barnes' selection to succeed Mr. Patterson follows a tradition at the privately owned company that keeps what Mr. Barnes refers to as "newsies" at the top spot: "'Newsies' have always run the company. The editorial side has to come first. The editor has to make the final decision —it means when it comes to a crunch, news wins," he says.

The two men worked together for 15 years at the *Times* and three years before that at the *Washington Post*. They see their roles with a common eye. "He's taught me a great deal and if I didn't agree in substance and detail, I wouldn't have gone on working with him," Mr. Barnes says of Mr. Patterson.

One change will be the increased time the ceo spends at the office. Mr. Patterson, a leading figure in print media, was highly sought as a consultant and speaker; Mr. Barnes will travel less.

The company, which also owns five business magazines, will continue to grow, Mr. Barnes says, but the pace may slacken temporarily. "With a new administration, it's not a year to take bold plunges, but to be conservative fiscally," he says.

Mr. Barnes is a 1961 graduate of Harvard University. After two years at the *Providence [R.I.] Journal* and two years in the Army, he spent eight years at the *Washington Post*. In 1969 he received the Alicia Patterson Fellowship for studying urban change in Europe and Africa.

"I think Gene should be commended for coming up with Andy, he'll be a fine chief executive. He's smart as a whip," says Don Baldwin, founding director of the Poynter Institute for Media Studies.

—Fred W. Wright Jr.

Backed by New York Times Co., the Gwinnett Daily News is targeting more of the Atlanta area.

NEWSPAPER RIVALS: Pressure on Peachtree Street

Growing Gwinnett marches on Atlanta

If metro papers 'aren't worried, then why did they go out to Gwinnett and give away newspapers?'

By JoBeth McDaniel

Gwinnett *Daily News* vending boxes sit on nearly every corner along Peachtree Street, Atlanta's main artery. It is a long way from the newspaper's headquarters, located more than 20 miles northeast, yet sales are brisk.

The paper's 30,000 circulation has been attributed to its slick redesign and 10¢ price—compared with the 25¢ *Journal-Constitution*.

Although the paper's circulation is a fraction of the 453,000 sold by Cox Enterprises' *Journal-Constitution*, the metro area boxes are considered yet another volley in a newspaper war that may stretch into the next century, when Gwinnett County's population is predicted to increase from 1988's 316,200 to 700,000.

The *News* boxes are not an attempt to make inroads in downtown Atlanta, says John Morton, newspaper analyst at Lynch, Jones & Ryan. "Many people who live in Gwinnett County commute to Atlanta; this is an introduction, a way to reach them," he says.

Box sales are "marginal," says Jack Harrison, president of the New York Times Co. regional group. "I don't think we should have them there."

While both newspapers deny the existence of a battle, speculation has been rampant since New York Times Co. first began negotiating the $88.2 million purchase last summer.

It is difficult to find objective observers of this skirmish. One industry source, who requested anonymity for fear of losing business, says he doubts that the Atlanta newspapers' managers are as unconcerned as they let on.

"They know the New York Times didn't pay that price just to have a small county newspaper. If [the Atlanta newspapers] aren't worried, then why did they go out to Gwinnett and give away newspapers?" he says, referring to promotional giveaways this spring on the streets of Gwinnett.

"If you draw a half moon from I-20 to I-75, there are 500,000 yuppies with no brand loyalty to the Atlanta *Journal-Constitution*. They [the *Daily News*] will wind up being the newspaper for north Atlanta."

(Continued on Page S-6)

JoBeth McDaniel is an Atlanta-based free-lance writer.

Cox Enterprises claims the Constitution's circulation is 14,000 more than last year.

"It's public knowledge that we tried to buy the Marietta Daily Journal, and we'll continue to try to buy it."

Jack Harrison
New York Times Co. regional group

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	%	Total
All Women (18+)	86	510,000
Black Women	82	152,000
College Educated Women	90	215,000
Women in Professional/ Executive Occupation	90	128,000
Women with $35,000 + Household Income	95	130,000

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Growing Gwinnett

(Continued from Page S-4)

"Too much has been made of [the competition]," says Jay Smith, publisher of the *Journal-Constitution*. "We sell 40,000 newspapers in Gwinnett.

"Our total circulation is 460,000. It's not all that significant. It's just one small piece of our circulation area," Mr. Smith says.

But in October, the *Journal-Constitution* expanded its weekly *Gwinnett EXTRA* insert to seven days, after bumping it up to six days in April. And it stations 25 reporters in Gwinnett compared with the *News*' 50-plus.

The silence may break this month, when the Audit Bureau of Circulations' figures for the six months ending Sept. 30 are published.

The *Daily News* is spreading the word to media buyers that its unaudited figures reveal a hefty 30% circulation increase since March 31, up more than 9,000.

"We have had a significant increase in circulation since March 31, 1988," says Mr. Harrison. However, "increases have been nominal outside Gwinnett County," he adds.

The *Constitution* claims equally significant circulation growth.

Company statistics show the *Constitution* is up 14,000 over last year. "The *Journal* is even with a year ago, and that's with a price increase," Mr. Smith says.

Mr. Morton suggests the two Cox papers have plans for the suburbs.

"They will penetrate as much as it is economically feasible to do. That area [Gwinnett, Cobb, and Fulton north of Atlanta] is one great suburban sprawl. I'm sure it's in their plans to make the market larger," he says.

Mr. Harrison acknowledges an interest in expansion. "It's public knowledge that we tried to buy the *Marietta Daily Journal*, [circulation 24,000] and we'll continue to try to buy it."

Advertisers in the *Daily News* illustrate the paper's reach beyond county borders. J.C. Penney Co., for example, advertises five suburban stores, none of which are in Gwinnett.

The *Daily News* has been aggressive in attracting Atlanta advertisers. Ogilvy & Mather/Atlanta media planner Stacy McNeil buys them for C&S Bank and Hardee's, instead of the *EXTRA* edition, because of the "higher quality environment," she says.

"*EXTRA* is a free paper. I prefer to buy paid circulation." Ms. McNeil says the *Daily News* is planning to "give Atlanta a run for their money."

The Gwinnett ad sales staff has made it clear that the paper will be expanding, not only through promotion but also with the number of boxes placed metro-wide. "It seems to be working," she says.

Don Fitzpatrick, newspaper ad director at Home Depot, also picks the *Daily News* for Gwinnett coverage, despite discounts being offered by the *EXTRA* editions. "We like to be in the local paper," he says.

The new design and a switch from afternoon to morning distribution debuted May 2. It was supervised by Seymour Topping, director-editorial development of the Times regional group. One of the most visible changes is in the masthead, where *Gwinnett* is downsized and *Daily News* is enlarged.

Mr. Topping says the changes were not aimed at expanding into the city or other suburbs.

"We don't have any intention of going into Atlanta. The paper is for Gwinnett County. We are a Gwinnett paper going for Gwinnett. We'll compete as hard as we can for circulation. Anything beyond that is just speculation."

Mr. Smith says the Atlanta papers will continue to focus on the 18-county area, with the core five counties, Fulton, Cobb, DeKalb, Clayton and Gwinnett each having local *EXTRA* editions.

"We've increased staff in Cobb and North Fulton. We've redirected how we look at the community," Mr. Smith says. "It represents a truer metropolitan report, more like concentric circles spreading out. Atlanta continues to think of itself as one very large community instead of a collection of smaller communities."

Cox Enterprises

Headquarters: Atlanta
CEO: James Kennedy
Total newspaper revenues: $711 million
Tota' daily circulation: 1.3 million
Largest newspaper by circulation: *Atlanta Constitution*

Journal-Constitution
Daily circulation: 458,682
Sunday circulation: 650,542

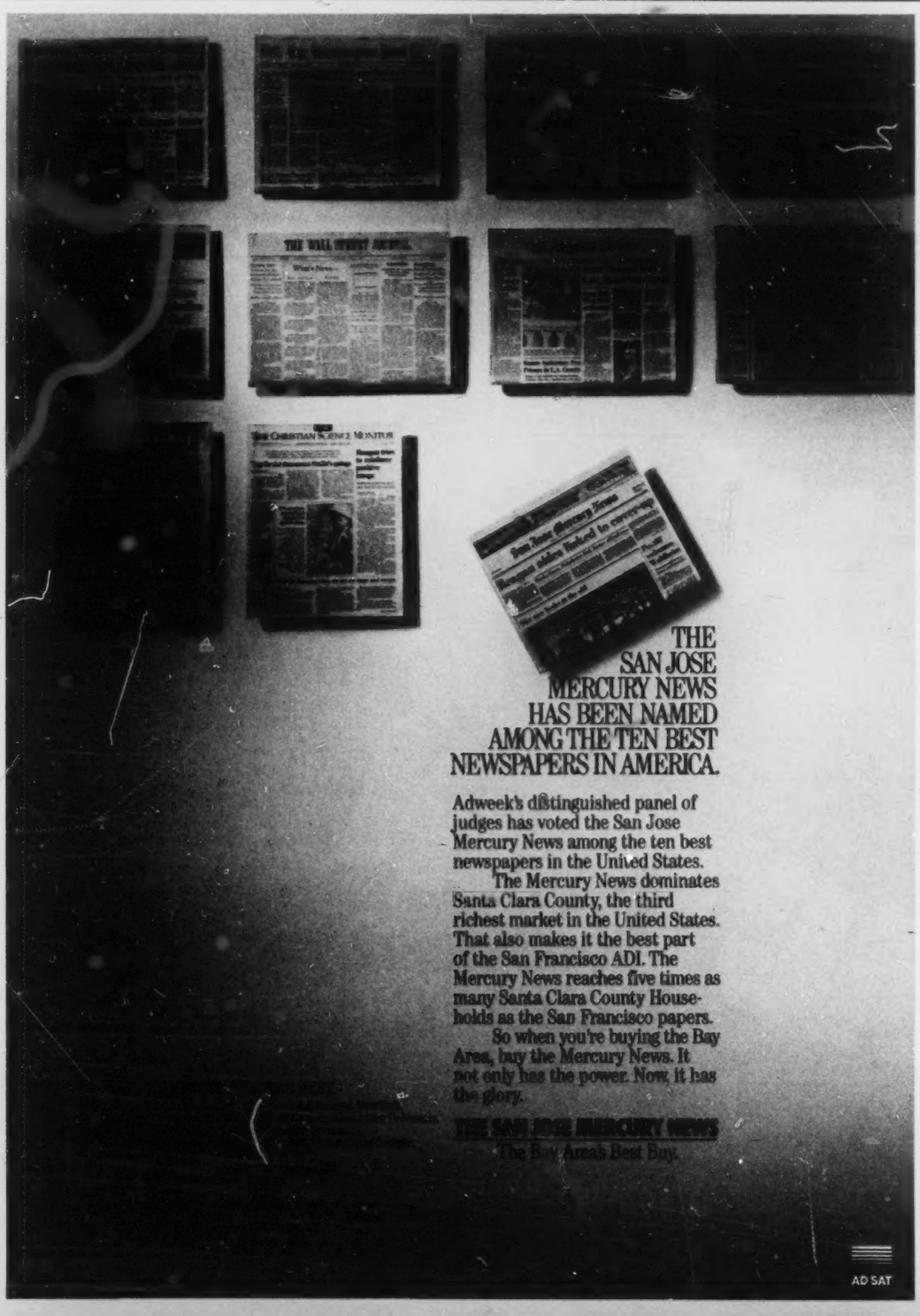
Source: Audit Bureau of Circulations Fas-Fax Report, September 30, 1988. Newspaper revenues are 1987 Advertising Age estimates.

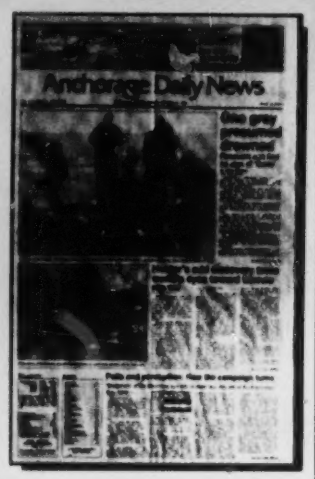
New York Times Co.

Headquarters: New York, N.Y.
Chairman/CEO: Arthur Ochs Sulzberger
Total newspaper revenues: $1,364 million
Total daily circulation: 1.9 million
Largest newspaper by circulation: *New York Times*

Gwinnett Daily News
Daily circulation: 34,652
Sunday circulation: 37,503

Source: Audit Bureau of Circulations Fas-Fax Report, September 30, 1988. Newspaper revenues are 1987 Advertising Age estimates.





Ad linage is down at the Anchorage Daily News, but the "operating margin was better."

NEWSPAPER RIVALS: Antagonism in Anchorage

Economy buffets Anchorage papers

'Daily News' builds lead, but still not profitable

By Sally J. Suddock

Bill Tobin remembers the afternoon in 1979, when the owners of the *Anchorage Daily News* came to call. "Kay Fanning, [outgoing] *News* owner, C.K. [Charles Kenny] McClatchy, [the new owner] and his people said they came to let us know there was no animosity; they weren't going to spend a lot of money to drive us out of business," says Mr. Tobin, VP, editor in chief of rival *The Anchorage Times*. "They were just going to make the *News* profitable."

While the *Times* has not been driven out of business, the *Daily News* has been inflicting damage in the process of becoming "just profitable."

In nine years the *Daily News* has grown from a daily morning circulation of 12,000 to more than 55,103, while the afternoon *Times* has seen its readership decline from a dominant 50,000 in 1979 to less than 36,208 in 1988. As of March 1988, the *News* reports 71,285 in circulation for its Sunday editions, vs. the *Times*' 41,500.

The Anchorage Times has steadily lost circulation over the last decade.

"We do intend to fight back," says *Times* General Manager Fred Hofer. "The *Times* has been here since 1915 and we intend to be here in 2015, and we intend to be the best local newspaper."

The *Times* is in the process of developing an ad campaign, handled by Ken Flynn Advertising. Budget and strategy are not being disclosed.

In mid-September the *News* launched a TV campaign emphasizing its comprehensive coverage and closing with the tagline "The *Anchorage Daily News*: The newspaper that's good all day."

"We want more people to choose the *News* as their only newspaper to read and advertise in," says Publisher Jerry Grilly.

"The goal of the campaign was to increase market share," says Graham Biddle, partner at *News* agency Mischler-Biddle Advertising. The spots were designed to increase home delivery, promote features as all-day reading and introduce an "Impulse" lifestyle section and "Monday Briefing" of statistics such as births/deaths, arrests, bankruptcy filings, meetings.

The McClatchy resources—reported in the *Alaska Advocate* to be $75 million to $100 million in 1979—gave the 40-year-old newspaper the financial strength to compete with the *Times*, which had dominated the market since the '30s when the Atwood family purchased the paper.

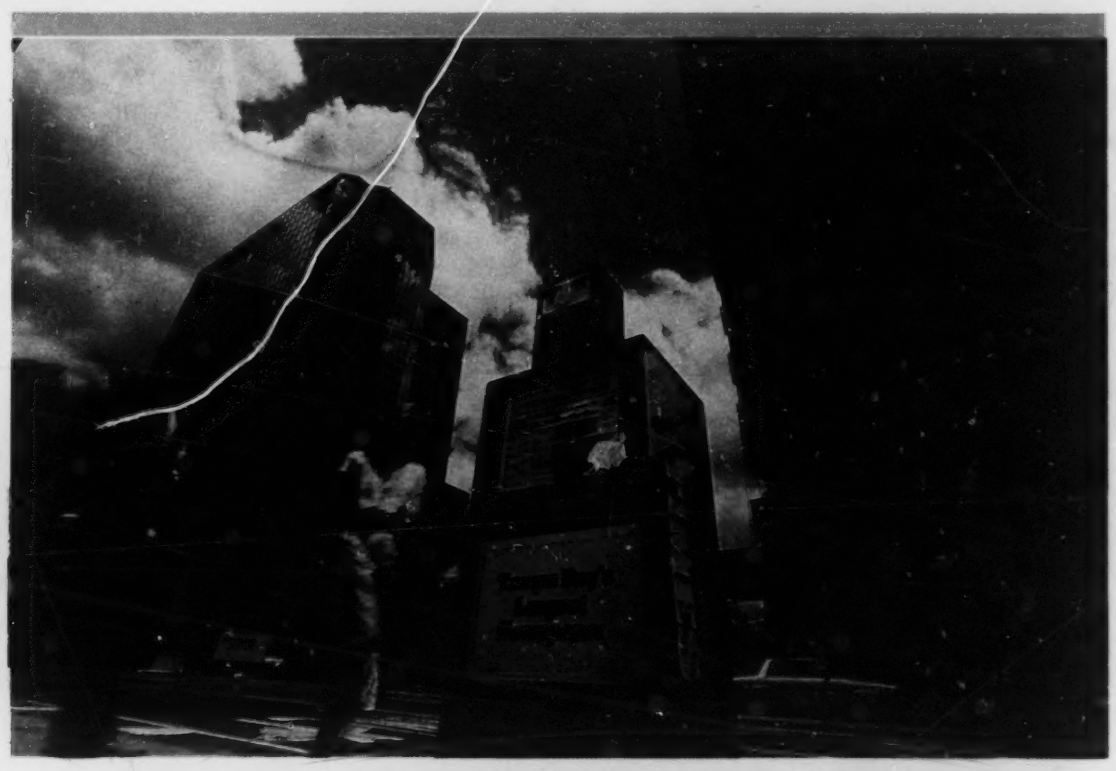
The *News*, however, has not made a profit since the takeover, says Mr. Grilly, in part because of incurring expenses to improve the operation.

Within weeks of acquiring the *News*, McClatchy Newspapers changed the management, started beefing up advertising and circulation departments, planning a new physical plant, adding editorial staff and upgrading production equipment.

Telemarketing and other dis-

(Continued on Page S-12)

Sally Suddock is an ADVERTISING AGE *stringer and editor of the* Alaska Journal of Commerce.



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Source: 1987 Scarborough Report.

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St. Petersburg TIMES

Tampa Bay's Largest Newspaper

Maverick McClatchy plays by own rules

Emphasis on strong news product pays dividends

By Alice Z. Cuneo

Charles Kenny "C.K." McClatchy probably did not make many friends in his January speech to fellow editors at the annual Press-Enterprise lecture. As he discussed the impact of newspaper ownership changes, the editor and chairman of McClatchy Newspapers came right out and named Donrey Media Group, Thomson Newspapers and Lesher Communications as the three worst chains in the nation.

"It seems obvious by looking at their papers that they don't give a fig about quality and probably care less about criticism from the likes of me," he said. "But they do care about their bottom lines."

Mr. McClatchy believes the way to gain advertising revenue is to build circulation, and the way to build circulation is through a strong news product.

"The club doesn't speak about its members that way," says Ben H. Bagdikian, a faculty member and former dean of the University of California at Berkeley graduate school of journalism.

But Mr. McClatchy, who is credited with modernizing his chain after taking over from his aunt, Eleanor McClatchy, in 1978, was willing to run the risk.

The outspoken Mr. McClatchy, whose flagship *Sacramento Bee* has a strong reputation for investigative reporting and local news, also took on Gannett Co., noting that it moves its editors from city to city every four years. He also said the editors' future success depends "more on his corporate report card than his relationship and his contributions to the local community."

Although Mr. McClatchy has not made a profit on the *Anchorage Daily News*, he points to circulation gains of his 1979 Alaska acquisition *(see related story on Page S-8)*.

"To get the penetration a newspaper needs to be very successful, you have to put out a superior product, and that costs money," says Mr. McClatchy.

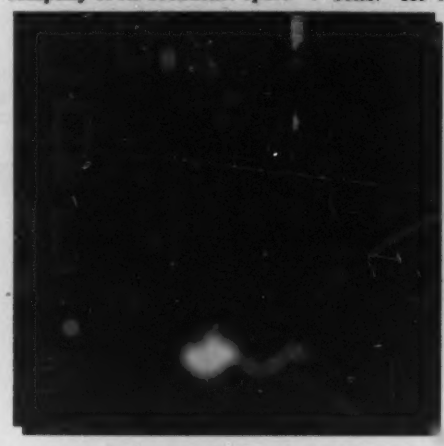
The *News* added a Sunday edition, bought a pennysaver to increase classified ads and poured money into the news operation, he says. "A key decision was to open up the news hole, matching the local, national and international news of the competition."

The moves produced "an odd paper full of news and hardly any advertising," Mr. McClatchy says. That lack of advertising didn't last long as the paper aggressively worked to attract advertisers as well as readers.

In addition to garnering a majority of the market's ad linage and 60% of its daily and Sunday circulation, by this summer the Anchorage paper has won awards for investigative reporting, photography, design, writing, sports coverage and special sections.

"We put out a quality newspaper. We went from being out of the ball game to winning the ball game," Mr. McClatchy says.

Besides the newspaper war, Mr. McClatchy faced a number of union battles at the *Sacramento Bee* and has divested the company of its broadcast operations. "We found we do extremely well at publishing newspapers—we decided it was wise to concentrate in that area," he says.



C.K. McClatchy was willing to take risks to modernize his newspaper chain.

The chain recently purchased Senior Spectrum, which publishes 10 tabloid newspapers with a combined circulation of 187,000 in 39 California counties. The papers are aimed at readers over 50. "It's a niche market we see as increasingly important," he says, adding that he plans expansion.

Mr. McClatchy, 61, and a graduate of Stanford University, worked in his early career at the *Washington Post*, and served as assistant press secretary for Adlai Stevenson's presidential campaign.

Starting as a *Sacramento Bee* reporter in 1958, he became chairman of the corporate board 30 years later and represents the fourth generation of his family to head the newspaper, which began in 1857.

Although described as soft-spoken and gentlemanly, Mr. McClatchy is an occasional tennis player with a reputation among his colleagues for competitiveness and a "steel backbone." He fought a $250 million lawsuit brought by Sen. Paul Laxalt (R., Nev.) over a story about funds being skimmed from a Carson City, Nev., casino co-owned by Sen. Laxalt. Although both men claim vindication, Sen. Laxalt dropped the suit in June 1987.

Mr. McClatchy says the forced sale of the Bingham family-owned Louisville paper led him to look for ways to keep his newspapers under family control. "I was worried about what could happen 15 to 20 years from now when you can't anticipate what might develop. If a few members of the family wanted to sell their stock . . . they would not be in a position to break up the company," he says.

The February sale of 10% of the company's stock—with unequal voting rights on class A and B stock—"hasn't changed things very much for the day-to-day operations," says Mr. McClatchy.

Some analysts and investors center concerns on short-term profits, he says. "We always were interested in the long term and we still are." ■

Alice Z. Cuneo is an ADVERTISING AGE *correspondent in San Francisco.*

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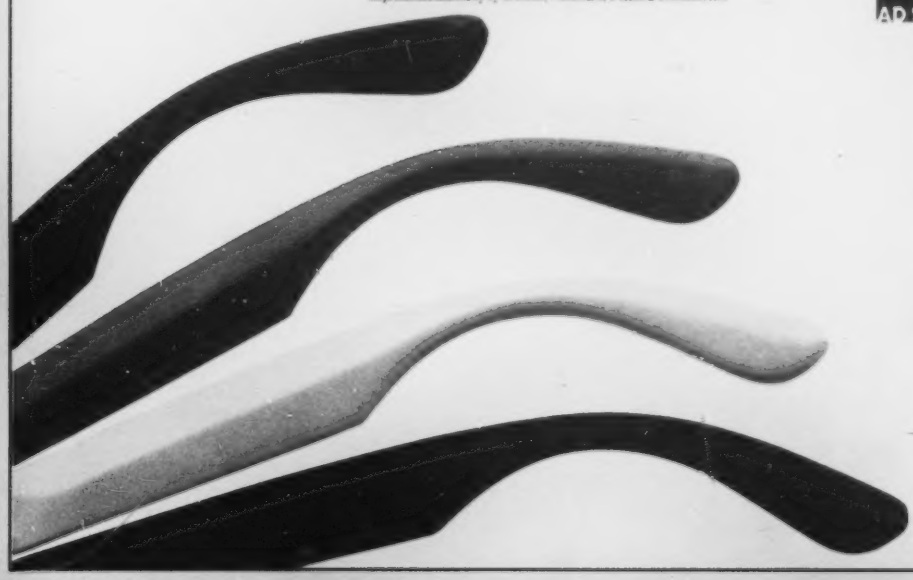

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NEWSPAPER RIVALS: Irish tussle in the U.S.

Goin' for the green

Solid base of U.S. advertisers propels Irish tabloids

The Irish Voice speaks to the upwardly mobile Irish-Americans interested in ethnic publishing.

Irish Echo is building via new supplements and coverage of music, sports and business.

By Fannie Weinstein

A young upstart in ethnic publishing, the *Irish Voice*, has started a bit of a tussle with the 60-year-old *Irish Echo*.

The New York-based publications contend there is room for two weekly tabloids that serve the Irish community. The *Echo* has a circulation of 56,000, according to Claire Grimes, owner and publisher; the *Voice* boasts a circulation of 55,000, says Publisher Niall O'Dowd. The *Voice* has applied for an audit by the Audit Bureau of Circulations, and the *Echo* is considering a similar request.

Both newspapers benefit from advertisers trying to reach the more than 100,000 undocumented Irish that have flooded the U.S. because of Ireland's bleak economy.

Readership and ad sales also have been buoyed by a surge in ethnic interest among Irish Americans wanting news from

(Continued on Page S-14)

Fannie Weinstein is a New York-based free-lance writer.

Anchorage

(Continued from Page S-8)

tribution strategies increased circulation to more than 25,000 after one year.

In 1983, the *News* surpassed the *Times* when its circulation climbed to more than 50,000 compared with the *Times'* 49,000.

As the *Times'* circulation began to flag in 1985, the *News* intensified its promotion, telemarketing and distribution campaigns.

Advertising rates were deep-discounted in 1979 to less than $5 per column inch compared with the *Times'* $8 per inch rate. They then edged up slightly from 1980 to 1983, and reached near parity with the *Times* at $11 to $12 per inch in 1984.

While the *Times* lowered display ad rates to $11.75 per column inch in 1987, the *News* steadily increased its rates to $17.50 in 1987, and again by 15% in first quarter 1988.

The *News* may be gaining market share, but the collapse of oil prices in 1986 has created some problems. Annual average combined circulation, according to Audit Bureau of Circulations, of both newspapers is currently 90,800, down from 91,300 in 1987 and 94,500 in 1986, its peak year, because of population declines resulting from the oil market downturn.

Because of falling circulation, the *News* may be looking for profits by penetrating other parts of the state, says Jeffrey Wilson, general manager of the *Juneau Empire*. "We think, the [September *Fairbanks Daily News-Miner*] offer was kind of ironic given Mr. McClatchy's recent comments in the trades decrying the evils of chain ownership," Mr. Wilson says.

The *News* cut 100 employees in 1987 to the current level of 300, Mr. Grilly says. Ad linage is down from 2.1 million inches in 1987 to 1.2 million inches in 1988, for calendar year-to-date August 1988, according to Allied Daily Newspaper reports, "but our operating margin was better," he says.

The *Times* ad linage is down to 1.05 million inches in 1988, from 1.9 million inches in 1987. Market share for 1988 is 54% *News*, 46% *Times*. Mr. Hofer projects a total of 3.5 million inches for 1988.

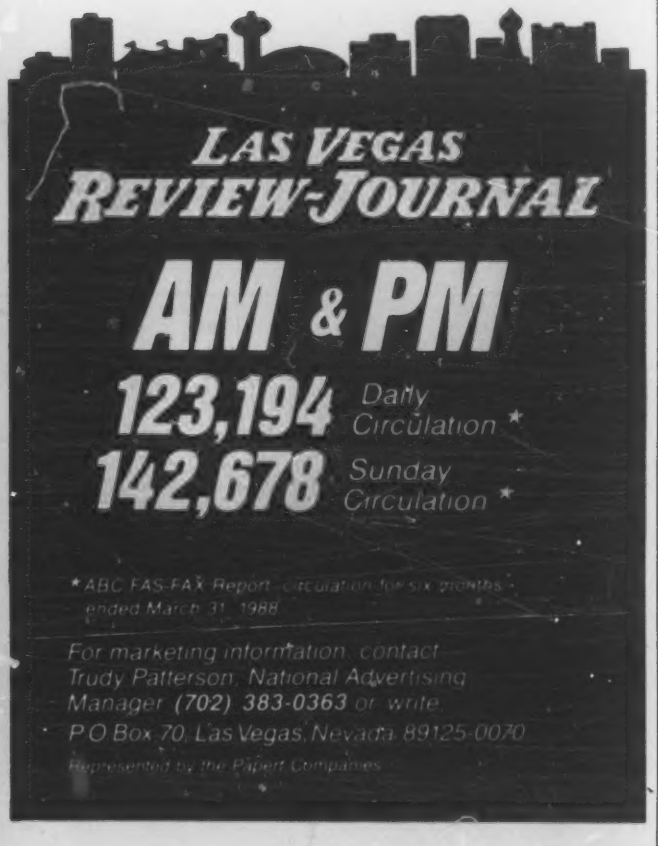
Ad linage declines are a result of less business activity, says Mr. Hofer. Montgomery Ward & Co., a big advertiser, closed in late 1987, J.C. Penney Co. has trimmed back, and "several hundred small businesses have gone bankrupt."

"The *Times* made a costly mistake in assuming the *News* could never dislodge Bob Atwood's paper from its market dominance," says Mr. Wilson.

"When we formed the Committee for Two Newspapers in the 1970s," says Robert Goldberg, Anchorage attorney, "Our concern was the need for competition—for two independently published newspapers."

"It would be a terrible tragedy if the consequences of the *News'* recovery was the closing of the *Times* . . . Wouldn't it be ironic if those of us who steadfastly supported the *News* found ourselves, two decades later, working for the *Times*," says Mr. Goldberg.

It only takes 2 Newspapers to cover the Las Vegas Market



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Macromedia Incorporated newspapers • National Representative: Sawyer-Ferguson-Walker Co.
Sources: The Scarborough Report, 1988; SRDS, May 1988; ABC Fas-Fax, 3/31/88; ©SDMM 1987 Survey of Buying Power

Vanishing independents

Despite rising costs and slow growth, papers strong takeover targets

By Belinda Hulin-Salkin

Newspapers are hotter takeover targets than ad agencies these days.

Over the last two years, some 169 daily papers and countless numbers of shoppers and weeklies have changed hands. Many of them are former independent papers bought by small and medium-size chains.

Analysts expect the rate of newspaper acquisitions to decline this year because so few independent targets remain available. However, in an era of economic uncertainty and predicted slow growth for individual newspapers, newspaper properties are fetching top dollar.

"The newspaper industry is facing a lot of problems . . . rising newsprint costs, higher postage rates, slow growth. You'd think in view of that, prices would start to diminish," says D. Robert Segal, president of Freedom Newspapers.

"But they aren't. It's become the 'in thing' to want to own a newspaper," he says.

Belinda Hulin-Salkin is a New Jersey-based free-lance writer and a frequent contributor to Special Report.

Every potential acquisition target has been fingered, says Leo Bogart, exec VP of the Newspaper Advertising Bureau.

"Some newspapers are less than viable and others steadfastly remain independent. But the possible candidates are no secret," Mr. Bogart says.

Why newspaper groups are so eager to augment their print holdings in the face of declining readership and advertising is a mystery to some. But corporate growth through acquisitions makes good sense in the newspaper business, says Ken Noble, first VP at PaineWebber.

"Chains of all sizes have been acquiring newspapers whenever they can, and that's been true as far back as one can observe," says Mr. Noble.

"Newspaper circulation vs. household and population growth has been declining for 40 years, but newspapers still have a good cash flow. That combination of low unit growth for existing papers, plus high cash flow, makes growth via acquisitions very attractive to chains."

Acquisitions also create economies of scale, Mr. Noble says. Better deals can be made on newsprint and supplies, and regional chains often can consolidate printing operations.

By offering network buys through a single national sales office, publishers make individual small and middle-market papers more attractive to national advertisers.

At one time, many small and medium-size chains limited their holdings to one or two regions of the country. Today, Mr. Noble says, geographic diversity is a buffer against regional economic swings.

Stauffer Communications has acquired papers in the Lakeland and Tampa-St. Petersburg, Fla.-area and in the budding high-tech corridor of Oak Ridge, Tenn.

"Prior to that, our activity has been in the Plains agricultural states, which have been somewhat depressed," says Kenneth Bronson, VP-newspapers of the $135 million company.

"We're trying to diversify our holdings; we look at the market and its potential," Mr. Bronson says.

Family-owned newspapers and chains are prime acquisition candidates. Heirs often feel no obligation to continue the clan's journal, and as newspaper profits get divided among more and more heirs, the legacy's hold on individual family members becomes tenuous.

"The future value of many papers is uncertain, and a lot of owners are thinking, 'If I'm ever going to sell, now's the time,'" says Hylton M. Philipson, president-ceo of Henry Ansbacher Inc., an investment banking firm involved in newspaper acquisitions.

"When a reputable chain

Donrey Media Group

Headquarters: Fort Smith, Ark.
President: Fred Smith
Total newspaper revenues: $215 million
Total daily circulation: 809,798*
Largest newspaper by circulation: *Las Vegas Review Journal*
Daily circulation: 122,140
Sunday circulation: 144,117

Sources: *Donrey Media Group, as of March 31, 1988. Newspaper revenues are 1987 Advertising Age estimates. Circulation figures from Audit Bureau of Circulations Fas-Fax report, September 30, 1988.*

Park Communications

Headquarters: Ithaca, N.Y.
Chairman/CEO: Roy Park
Total newspaper revenues: $63.9 million
Total daily circulation: 311,081
Largest newspaper by circulation: *Lockport (N.Y.) Union-Sun & Journal*
Daily circulation: 18,426*

Sources: Revenues and total daily circulation figures from Park Communications, nine months ending September, 1988.
*Audit Bureau of Circulations Fas-Fax report, September 30, 1988.

Stauffer Communications

Headquarters: Topeka, Kan.
President: John H. Stauffer
Total newspaper revenues: 66.3 million
Total daily circulation: 276,678
Largest newspaper by circulation: *Topeka Capital-Journal*
Daily circulation: 67,170
Sunday circulation: 76,690

Sources: Revenue and total daily circulation figures from Stauffer Communications, ending September 1987 and September 1988, respectively. Other circulation figures from Audit Bureau of Circulation Fas-Fax report, September 30, 1988.

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Irish

(Continued from Page S-12)

Ireland and information on U.S. issues that affect them in their new homeland. Stories about immigration and Northern Ireland's civil strife are in virtually every issue.

The nationally distributed, full-color *Voice* was launched last December partly because of the success of its sister publication, *Irish America*, a 3-year-old magazine, says Mr. O'Dowd.

"There is an upwardly mobile, Irish-American community that is interested in new-look ethnic publishing," he says, pointing to the magazine's 7,000 start-up circulation and its current 62,100 subscriptions and newsstand sales of 20,300, according to its own figures.

Irish America is published by Irish America Inc., and the *Voice* is published by Irish Tribune Inc. Mr. O'Dowd is the majority shareholder in both companies; Jefferson Smurfit PLC, a multinational publishing and paper goods company in Ireland, holds a significant minority interest in each.

Mr. O'Dowd, who says his newspaper "questions a lot of sacred cows," argues that today's immigrants want a product they can identify with. Although immigration has been the focal point of editorial coverage, there has been coverage of issues such as AIDS.

The strength of the *Voice's* ad base "is that we've been accepted so quickly by the bedrock advertisers in the community—the bars, the entertainment, the Irish societies," says Mr. O'Dowd.

The *Voice* has averaged 19.9 ad pages in issues averaging roughly 47.5 total pages since its debut, he says. For the 10-week period ending Oct. 8, Mr. O'Dowd cites an average 21.5 ad pages out of 48 total pages.

Mr. O'Dowd is hoping to boost ad sales through a package he plans to offer with other ethnic publishers to attract national advertisers

Much of the ad sales success is attributed to Advertising Director Joe Murphy, who previously worked for the *Echo*. "He delivered the respectability and the acceptance factor." But a tremendous number of advertisers have advertised in

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AD SAT.

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offers to pay several times gross revenues for a property, it takes the newspaper business to turn it down," he says.

A price multiple of four times gross revenues is not an unrealistic price for a family newspaper today, says Mr. Philipson. "Most chains come to these deals with lots of cash from deals they made in the past at better valuations," says Mr. Philipson.

"They're prepared to overpay to expand. Besides, some of these properties only come available once in a lifetime."

Roy Park, ceo of the $139 million Park Communications, says his company doesn't negotiate for newspapers using revenue or circulation-based cost formulas. "We study the market, we find out what the competition is doing and figure out how well we can expect to do," he says. "Then we set our price accordingly.

"Of course we go over the details of their operation for where we might do better. In some cases, the papers have been well run; we can't expect to improve on their performance," Mr. Park says.

Park has acquired several family-owned newspapers over the last two years, some the result of invitations to bid.

"I keep in touch with newspaper owners through industry organizations," Mr. Park says.

"Often I tell them, 'If you ever want to sell, give me a call,' and they do."

The newspaper owners often are local people who don't want the word to get out that they're selling until it's done, he says.

Most newspaper chain executives say they don't hold potential acquisitions to any preconceived location or operating criteria.

"It all depends on what's available," says Fred Smith, president of Donrey Media Group. "We've bought papers that were in fine shape and some that needed help."

A well-funded buyer can often upgrade the quality of a newspaper almost overnight. Freedom Newspapers expects to spend more than $90 million on plant improvements in the next three years.

In spite of the problems facing the newspaper industry, analysts say newspaper stocks have bottomed out and could be one of the best long-term investments around.

"The cost picture is improving," says Mr. Noble. "We may have to wait until 1990 or beyond to see improvements in the advertising picture and there are still potential threats from electronic media. But newspapers still have the longest useful life of anything around."

Small chains will be the next likely targets."I think there will be some group consolidation," says Mr. Bronson. "Not too much, I hope. I'd hate to see only five or six media companies in the U.S. five years from now."

McClatchy Newspapers

Headquarters: Sacramento
CEO: C.K. McClatchy
Total newspaper revenues: $319 million
Total daily circulation: 683,979
Largest newspaper by circulation: *Sacramento Bee*
Daily circulation: 243,838
Anchorage Daily News
Daily circulation: 56,204*

Source: Audit Bureau of Circulations Fas-Fax Report, September 30, 1988. *Averages for three months. Revenues are 1987 Ad Age estimates.

the *Echo* and don't see a reason to stop, says Mr. O'Dowd.

The *Voice* has not "affected us in the slightest," says Ms. Grimes, who took over the *Echo* in September 1987. "Our figures are still going up."

The average number of pages per issue has grown from 52 in 1987 to 64 in 1988; a roughly 50-50 advertising-to-editorial ratio has been maintained.

Ms. Grimes folded the Boston *Irish Echo* this past summer. "It had nothing to do with competition," she says.

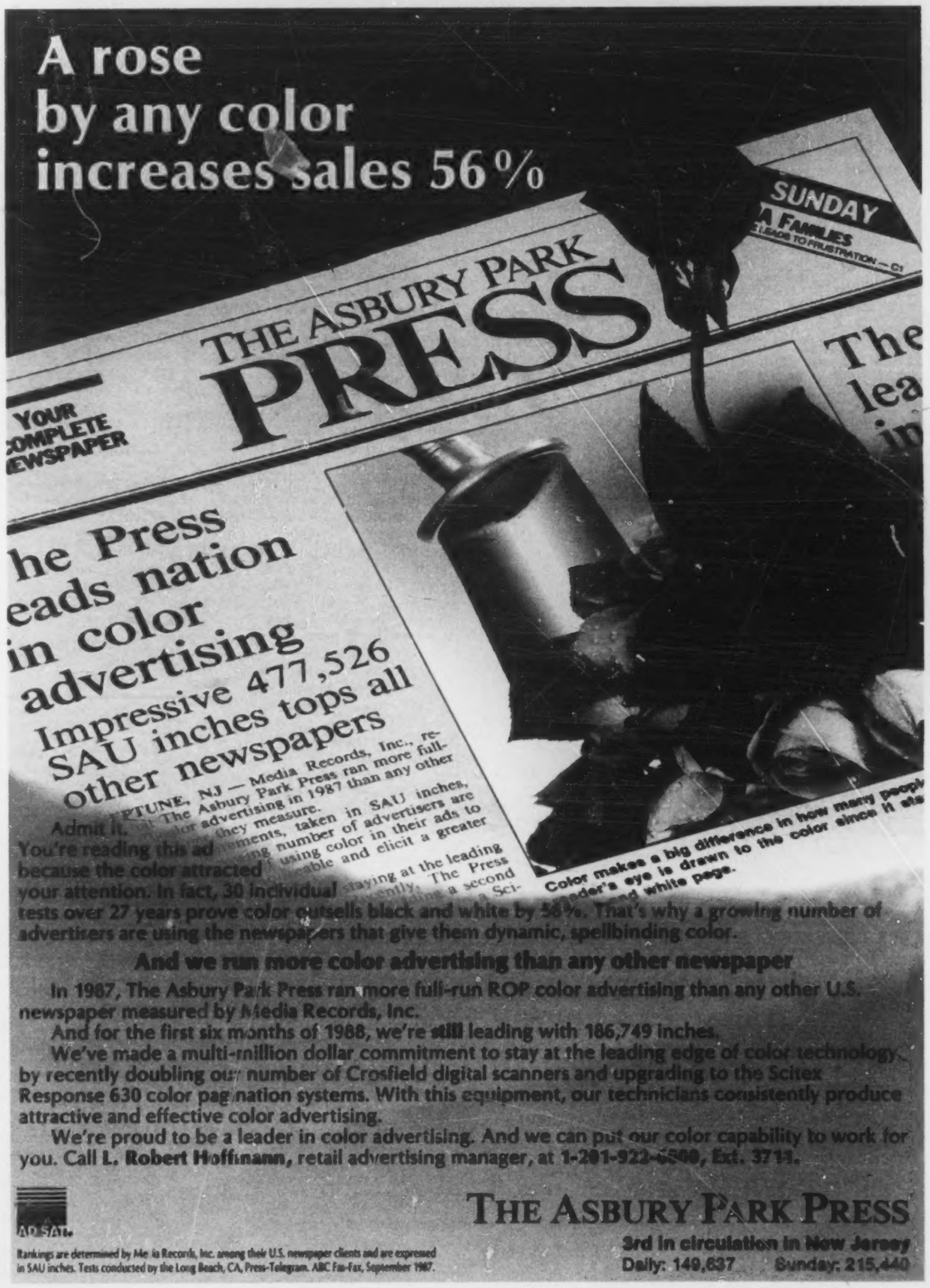
The national section will debut this month, says Ms. Grimes. Articles from around the country will be featured along with the four pages of Boston news already included in the *Echo*.

Current plans call for the expanded *Echo* to be sold at newsstands and Irish specialty shops nationwide, and in vending machines in Washington. Nonsubscription sales are concentrated in the New York area.

In addition to continuing to report on immigration, Northern Ireland and social activities, Ms. Grimes plans to introduce new supplements—on top of the seven that appeared this year—increase coverage in music and sports and add a second business page.

Graphically, she says, the ongoing cosmetic changes—the *Echo* added color in August—will continue into 1989.

"We're a moderate paper in our approach, in our appearance, and we take a moderate view of things generally," she says. "That has been our position and will remain so."



Newspapers lose by a landslide

Image-intent national candidates continue to avoid print advertising

By Ed Fitch

What if they had an election and nobody voted?

Newspaper advertising executives might respond by dancing in the streets. A poor turnout in tomorrow's presidential election might help newspapers reverse a 20-year slide in political advertising, says David Simonson, exec VP, National Newspaper Association.

Newspapers were expecting no vote of confidence from national politicians this year (AA, July 18), and that is exactly what they received. "There's been some action at the local and state level as a result of aggressive selling by newspapers," Mr. Simonson says. "But there's been nothing nationally."

Local newspapers attract ads because they can target grassroots campaign dollars, says James Cutie, national advertising director at *The New York Times*. The movement away from major newspapers started in 1964, and this year's dearth of activity mirrors 1980 and 1984, he says.

Despite doing special sections on both conventions and an election preview, national newspaper *USA Today* "has not seen one bit of business from a candidate," says Jim Gath, manager-special sales.

A primary reason seems to be that contemporary campaign styles do not fit the medium. "This is a campaign of spot images and no substance," Mr. Simonson says.

Erich Linker, senior VP-advertising at *The New York Times*, concurs, saying the emphasis on image over substance has hurt newspapers. "The media consultants steer the majority of dollars to TV."

Mr. Gath puts it more bluntly: "These guys are in love with TV."

Mr. Simonson says he will be surprised if 50% of registered voters cast ballots tomorrow, claiming this will send a message to political media strategists. "It will say that X percentage of voters have been disenfranchised and are asking for something of substance, something that can't be delivered in 20-second bites." Newspapers, he says, are a logical medium for more detailed messages.

The ephemeral nature of the current campaign keeps politicians from using print, says Mr. Gath. "They don't want to commit to putting anything down on paper. They don't want their opponent to be able to hold up a newspaper ad and say, 'This is what you said about that issue in black and white,' when they're changing their positions constantly."

Still, some of the newspapers' woes are self inflicted. "We haven't been very aggressive as an industry," Mr. Simonson says. NNA launched a $100,000 campaign via Bozell, Jacobs, Kenyon & Eckhardt, Minneapolis, last spring to tout the value of newspaper ads. He says the campaign will continue, and he expects 1990 and 1992 election advertising to improve as a result.

Pulliam

(Continued from Page S-1)

spend more than $1,700 per subscriber. Although Mr. Wallace says, "We've never seen an offer, we're still waiting," stockholder Mr. SerVaas says he has a letter informing him of the $1.5 billion offer.

The CNI chain is indeed a money maker. Earnings of nearly $33 million in fiscal 1987 ending the last week in December, on revenues of $403 million, were up 2.7% from fiscal 1986.

Still, there remain problems within CNI. Circulation at the *Indianapolis News*, a 119-year-old afternoon paper, peaked at 200,000 subscribers in 1965 with the demise of the Scripps-Howard *Indianapolis Times*. Today it reports 120,000, according to 1988 Audit Bureau of Circulations, in a city showing dramatic growth.

Some suggest the stagnation stems from management policies. Mr. Russell refuses to comment, saying management style is open to a variety of interpretations. Staffers contend that editorially, both papers operate without much interference from management.

With a long-standing policy of hiring interns straight out of college, the addition of solid writing and reporting talent is not a top priority, according to industry observers. The *News*' problems reflect a mediocre editorial lineup, sources say.

Mr. Russell acknowledges that both newspapers have shown only modest gains in advertising revenues, and that the Phoenix operation has been losing ad linage for six quarters. (According to *Forbes*, May 24, Mr. Pulliam may be ready to sell his Phoenix papers. Industry insiders say this would bolster the Indianapolis operations and increase the price of non-voting stock that might be put up for sale to the public.)

"I don't know when the last sales person called on me; we get mailings but no personal contacts," says Norman Wilkens, VP-account supervisor, Montgomery Zuckerman Davis, Indianapolis. That is probably a result of being "the only game in town. You have to damn the *Star* and the *News* with faint praise. They are responsive to our clients' wishes, but the personal follow-up with agencies is missing.

Industry observers contend that if the *News* continues to stagnate, it will be folded into the morning *Star*

However, CNI is interested in expanding. "I've looked at several properties in the last four or five years, including Sparks Newspapers," says Mr. Russell. "We're really only interested in print, and the searches will continue."

Central Newspapers

Headquarters: Indianapolis
President: Frank Russell
Total newspaper revenues: $427 million
Total daily circulation: 825,275
Largest newspaper by circulation: *Arizona Republic*

Indianapolis News
Daily circulation: 116,908
Indianapolis Star
Daily circulation: 231,726
Sunday circulation: 405,842
Arizona Republic
Daily circulation: 314,829
Sunday circulation: 507,081
Phoenix Gazette
Daily circulation: 103,015

Source: Audit Bureau of Circulations Fas-Fax Report, September 30, 1988. Revenues are 1987 Advertising Age estimates.

Associate editor Pat Gray Thomas coordinated this report on Newspapers.

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*Sources: S&MM, 1987; ANM 1986-1987

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*The Orange County Register reaches 40% of all Orange County households, in contrast to just 22% for the largest Los Angeles paper.
Source: ABC Publisher's Statements

THE ORANGE COUNTY Register METROGROUP

The leading medium in Southern California's richest market. Represented by CWO&O

Market crunch bites into 'WSJ' circulation

By IRA TEINOWITZ

The stock market plunge may be ancient history to veteran traders, but it's still posing major circulation woes for *The Wall Street Journal*, according to the latest Audit Bureau of Circulations FAS-FAX reports.

WSJ blamed the October 1987 market tumble for the continued deterioration of its circulation through September.

Daily circulation averaged 1,869,950 in the six months ended Sept. 30, a 4.7% drop from the same period last year. More significantly perhaps, *WSJ* reported circulation dropped 7.7% from the 2,025,176 it averaged for the six months ended March 31.

"This is in line with what we reported earlier," said Charles N. Stabler, deputy director of corporate relations for *WSJ* parent Dow Jones & Co., New York.

"The crash of a year ago is continuing to affect us in circulation and advertising," he said. "A lot of individual investors have been out of the market since the crash, and there have been a number of layoffs in Wall Street firms, as many as 15,000. Those were our readers."

WSJ wasn't alone in reporting circulation losses. The *New York Post's* circulation dropped 20.3% to 550,473. Most of that drop apparently happened late last year or early this year; circulation fell less than 1% from the end of March.

The New York Times reported daily circulation up 1.6%, with Sunday circulation up less than 1%. Meanwhile, the *New York Daily News* reported a very slight dip in daily circulation with Sunday sales dropping a bit more. The *Daily News* said its Sunday circulation was down 2.9% from a year ago and 3.4% from March 30, when the paper had shown a slight increase. *Newsday* reported circulation up 6.2% daily and 3.6% on Sunday.

In Chicago, where the *Chicago Sun-Times* and *Chicago Tribune* have both seen price hikes and delivery problems, daily circulation dropped 4.2% and 6.5%, respectively.

Other cities showed considerable variety in the latest statistics.

The *Detroit Free Press* and *The Detroit News* reported declines in both daily and Sunday circulation. Meanwhile, the *Houston Chronicle* and *The Houston Post* both reported circulation increases.

In Los Angeles, the *Daily News'* Sunday edition is still outselling the *Los Angeles Herald Examiner*, though the *Herald Examiner* outsells the *Daily News* on weekdays.

In Kansas City, Mo., *The Kansas City Star*, an afternoon paper, continued to lose circulation, but its morning rival, *The Kansas City Times* (both owned by Capital Cities/ABC) picked up only a little. The *Star's* daily circulation has dropped a hefty 13.2% to 184,882 in the last year. Meanwhile the *Times* circulation has risen 1.2% to 281,886.

In a similar situation, *The Milwaukee Journal*, an evening paper, saw its circulation drop 6.4% to 269,155, at the same time the morning *Milwaukee Sentinel* fell 4.1% to 181,298.

Florida cities and Sun Belt areas like Phoenix, Ariz., are doing well, with most major newspapers reporting circulation increases.

However, the *Fort Lauderdale* (Fla.) *News*, the evening paper of the Tribune Co.'s *News* and *Sun-Sentinel* duo, showed circulation plummeting 29.8% to 39,833. The *Sun-Sentinel* more than made up the difference, reporting a 17.2% jump to 184,200 weekdays and a 6.8% increase on Sundays to 296,404.

The Miami News, which Cox Enterprises has already said it will close or sell by yearend, reported daily circulation fell 13.9% to 47,736. *The Miami Herald* reported its circulation rose 0.7% daily to 401,423.#

Newspaper circulation highlights

Average circulation for six months ending Sept. 30, 1988, compared with average for six months ending Sept. 30, 1987.

Newspaper	Daily	% chg	Sunday	% chg
National				
Wall Street Journal	1,869,950	−4.7%	———	———
USA Today	1,338,734	+1.1	———	———
New York				
Times	1,038,829	+1.6	1,601,085	+0.7
Post	550,473	−20.3	———	———
Daily News	1,281,706	−0.3	1,568,862	−2.9
Newsday	680,926	+6.2	706,440	+3.6
Los Angeles				
Times	1,116,334	+0.3	1,394,910	+0.7
Herald Examiner	235,252	−1.5	185,684	−4.8
Daily News	170,809	+7.2	197,311	+12.9
Orange County Register	333,560	+5.1	380,706	+5.1
Chicago				
Tribune	715,618	−6.5	1,098,127	−1.7
Sun-Times	579,272	−4.2	600,257	−2.2
Dallas				
Morning News	354,703	NA	530,640	NA
Times Herald	224,568	NA	318,774	NA
Denver				
Post	231,020	+0.2	409,257	+1.2
Rocky Mountain News	344,550	+3.7	389,212	+4.3
Detroit				
Free Press	629,065	−3.1	710,112	−3.1
News	677,385	−1.4	828,166	−1.1
Houston				
Chronicle	420,320	+3.3	561,664	+5.0
Post	318,218	+5.7	359,046	+3.5
Minneapolis/St. Paul				
Star-Tribune	400,914	+3.0	644,946	+2.4
Pioneer Press & Dispatch	192,603	−0.2	255,435	+1.6
Seattle				
Post-Intelligencer	206,155	NC	———	———
Times	237,245	NC	———	———
Times/Post-Intelligencer	———	———	502,940	+0.3

Notes: *New York Post* changed from all-day to a.m. publication since September, 1987. *The Dallas Morning News* counts daily circulation as the average of its Monday, Tuesday, Wednesday, Thursday and Saturday papers but doesn't include Friday.
NC - Indicates no change. NA - Indicates not available. Source: Audit Bureau of Circulations.

New products

(Continued from Page 57)

Kitchen shelf-stable microwaveable meals for children in Denver. Ruhr/Paragon. 10/17, P. 8.

Johnson & Johnson—Ortho Pharmaceutical Corp. introducing a milder dose of Retin-A acne treatment, called Retin-A 0.025% cream. No consumer marketing is planned. 10/24, P. 89.

Kellogg Co.—Rolling national with Blueberry Squares ready-to-eat cereal, its fourth fruit-filled biscuit cereal line extension. Leo Burnett USA. 10/3, P. 65.

Kraft—Testing Velveeta cheese sauce in Southwestern markets, including San Antonio, Texas. TV. Burnett. 10/17, P. 65.

Philip Morris Cos.—General Foods Corp. rolling national with Post Oat Flakes, an adult cereal. Grey Advertising. 10/3, P. 1.

Noxell Corp.—Preparing to launch a women's fragrance called Cooler. 10/24, P. 8.

Procter & Gamble Co.—Has introduced nationally Bounce With Staingard dryer sheets, a combination fabric softener and stain resister. D'Arcy Masius Benton & Bowles. 10/3, P. 65.

Quaker Oats Co.—Testing six varieties of Old Town Oven Stuffs microwaveable deli sandwiches in Cleveland, Denver and Pittsburgh. Print, TV. Bayer Bess Vanderwarker. 10/17, P. 8. Quaker readying two new oat bran products, a hot cereal and a cold cereal, under the Quaker Oat Bran name for an April national introduction. Also testing Quaker Oatmeal Crunch, a potential flanker brand for its Oh!s cold cereal. It could be rolled out regionally next year. Bayer Bess Vanderwarker. 10/24, P. 92.

Ralston Purina Co.—Rolling national with Kit 'N Kaboodle semimoist premium cat food. Couponing, print, TV. DDB Needham. Also rolling national with Whisker Lickin's, its first cat treat. Print. Centra Advertising. Testing Cat Menu dry cat food in 15 Southeastern markets. Also adding a second flavor to Happy Cat cat food. Print, TV. Tatham-Laird & Kudner. Expanding distribution of Unique, a superpremium canned cat food acquired in 1987. 10/3, P. 28. Continental Baking Co. introduced nationally Oatmeal Goodness bread in four varieties. Print, TV. Grey. 10/3, P. 65. Rolling national Bran News cereal, which moved into regional markets earlier this year. TV. Ally & Gargano. 10/10, P. 69. Continental Baking adding a strawberry Fruit & Creme Twinkies flavor. Tatham-Laird & Kudner. 10/31, P. 59.

Rocky Mountain Medical—Introducing TenderCare biodegradable, chemical-free disposable diapers nationally in December. The diapers have an element inserted to cause breakdown upon contact with landfill dirt. They're available primarily through mail order and health-food and children's specialty retail outlets. Print. Polan & Waski. 10/31, P. 51.

S&P Holding Co.—Pabst Brewing Co. introducing Olympia Dry beer in Houston, with plans to expand nationally. Asher/Gould. 10/10, P. 12.

Schering-Plough Corp.—Maybelline Co. expected to announce that it's reformulating all its mascaras and face products. DDB Needham. 10/24, P. 8.

Sebastiani Vineyards—Importing Changlee Chinese beer in agreement with Oriental Trading Distributors. Point of purchase. 10/10, P. 12.

Squibb Corp.—Introducing a uniformly packaged Squibb Care line of pain relievers, antacids, fiber laxative and cough and cold/allergy remedies in Philadelphia. The line will move into three unidentified markets later in the year with national rollout scheduled for 1989. Couponing, print, radio, TV. Tom Attea Co.; Neil Faber Media. 10/10, P. 3.

Stroh Brewery Co.—Reportedly about to introduce a dry beer, possibly within a month. 10/10, P. 69.

United Biscuits—Keebler Co. introducing nationally Rainbow Chips Deluxe cookies. Print, TV. Burnett. 10/24, P. 89.

Veragon—Introduced Drypers superdry disposable diapers in Gulf Coast states. Print, TV. Fogarty & Klein. 10/31, P. 51.

Zele USA—Testing in several U.S. markets Zele Light flavored "panache" beer from Vancouver, British Columbia, with plans to go national next year. Radio, TV. Agency Group. 10/10, P. 12.#

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Latin shops

(Continued from Page 59)

must work out a deal with one partner, former creative director Sergio Graciotti who wants to sell.

Lintas:Worldwide is another agency looking to grow via acquisition in Brazil. Local agency President Ivan Pinto said Duailibi, Petit, Zaragoza, one of the top creative agencies, would be a good fit because Interpublic and DPZ share many clients—including Johnson & Johnson, General Motors Corp., Sterling Drug, Coca-Cola Co. and Nestle.

Mr. Pinto denied the two are talking but admitted he's looking at four acquisition candidates.

Sister agency McCann plans to buy a "highly creative strategic planning-oriented agency" among the top 25 in Brazil by Dec. 15, Mr. Olesen said. Another acquisition is planned for next year.

The Brazilian acquisitions could be merged into the existing McCann-Erickson Publicidade, stand alone or share some functions with the existing agency and work separately on others, he said.

Mexico

In Mexico, talk is leading to deals.

Saatchi bought into affiliate Iconic, Mexico City, hoping to merge it with its other affiliate, Montenegro-Saatchi & Saatchi, sources say. The deal was constructed just in time for Saatchi to pitch for $3 million of PepsiCo business (AA, Oct. 17).

BBDO Worldwide is thinking of merging its Dieste, Merino/BBDO with another agency.

Sources say Publicidad Ferrer, Mexico's No. 1 agency, is in discussions with a multinational.

Mexico is also on McCann's shopping list, even though McCann already ranks No. 2.

Argentina

"In Argentina, you need critical mass to be able to offer all services," said Nelson Homem de Mello, Young & Rubicam president for Latin America.

To develop that mass, Y&R de Argentina, Buenos Aires, merged Aug. 1 with a local agency to form Funes Straschnoy Dreyfus/Young & Rubicam—part of the recent flurry of Argentine acquisitions.

Other agencies are doing the same. Earlier this year, Lintas:Worldwide bought Colonnese & Asociados and merged into its existing office to form Colonnese-Lintas.

Saatchi is negotiating to buy a small stake in affiliate Lautrec SA.

Sources say DDB Needham Worldwide is negotiating to buy Argentina's Ruben Maril SA de Publicidad for $1 million. However, Ruben Maril, a partner, said he has an affiliation with DDB but is talking to several international agencies. Mr. Maril said he's helping DDB look for a Brazilian agency as well.#

Cecilia Bouleau in Mexico City and Cathy Kirby in Buenos Aires contributed to this story.